

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 DOE-11 H-02 INR-10 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-15 OES-07  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /131 W  
-----105936 150434Z /61

R 141601Z MAR 78  
FM AMEMBASSY LIMA  
TO SECSTATE WASHDC 9128

UNCLAS LIMA 2216

E. O. 11642: N/A  
TAGS: ENRG, PE  
SUBJECT: PETROLEUM DEVELOPMENTS: BLOCK 2 IN PERU'S NORTH-  
EASTERN JUNGLE AREA AGAIN BEING OPENED TO EXPLORATION BY  
PRIVATE COMPANIES

REF: (A) LIMA 6761, (B) LIMA 2021

1. ON MARCH 7, 1978 THE GOVERNMENT OF PERU APPROVED SUPREME  
DECREE 001-78-EM/DGH, RE-OPENING BLOCK 2 IN PERU'S NORTH-  
EASTERN JUNGLE TO PETROLEUM EXPLORATION/EXPLOITATION BY  
PRIVATE COMPANIES. BLOCK 2, LOCATED DIRECTLY SOUTH-EAST OF  
AND ADJACENT TO OCCIDENTAL PETROLEUM COMPANY'S (OXY) BLOCK,  
HAD BEEN CLOSED TO PRIVATE SECTOR BIDDING FOR EXPLORATION/  
EXPLOITATION RIGHTS SINCE LATE 1973. AT THAT TIME NEGOTIA-  
TIONS BETWEEN THE GOP AND A CONSORTIUM CONSISTING OF OXY  
AND KOPEX OF POLAND FOR EXPLORATION RIGHTS IN BLOCK 2  
TERMINATED WHEN THE GOP ANNOUNCED ITS DECISION NOT TO SIGN  
ANY MORE OPERATING CONTRACTS FOR PETROLEUM EXPLORATION  
THROUGHOUT THE COUNTRY. SUBSEQUENTLY WHEN THE GOP RE-  
OPENED THE JUNGLE FOR OPERATING CONTRACTS IN JULY 1976 (REF A),  
BLOCK 2 WAS ASSIGNED TO PETROPERU.

2. BLOCK 2 HAD ORIGINALLY BEEN INCLUDED IN THE JUNGLE  
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AREA OFFERED IN 1971 FOR PRIVATE SECTOR DEVELOPMENT. IT  
WAS CONSIDERED TO BE A VERY ATTRACTIVE LOCATION BECAUSE  
OF ITS PROXIMITY TO OXY'S AND PETROPERU'S PRODUCTIVE AREAS  
IN THE NORTHERN PERUVIAN JUNGLE. SEVERAL FOREIGN COMPANIES  
IN ADDITION TO OXY HAD SHOWED INTEREST IN THE PARCEL PRIOR  
TO THE GOP'S DECISION TO STOP ACCEPTING BIDS FOR OPERATING  
CONTRACTS. PETROPERU REPORTED THAT ITS HUASAGA EXPLORATORY

WELL, DRILLED IN BLOCK 2 DURING 1976-77, HAD TURNED UP OIL AND GAS SHOWINGS ALL THROUGH THE CRETACIOUS STRATA. HOWEVER, DUE TO SEVERAL ECONOMIC AND TECHNICAL PROBLEMS, THE WELL WAS ABANDONED AT A DEPTH OF 4791 METERS (15,719 FEET), THE DEEPEST LEVEL EVER DRILLED BY PETROPERU.

3. COMMENT: WHEN THE GOP ANNOUNCED ITS DECISION IN 1973 NOT TO SIGN ANY MORE OPERATING CONTRACTS FOR PETROLEUM EXPLORATION, OXY'S AND PETROPERU'S SUCCESSFUL DRILLING RESULTS IN THE JUNGLE HAD CREATED A PETROLEUM BOOM ATMOSPHERE IN PERU. 18 OPERATING CONTRACTS HAD ALREADY BEEN SIGNED AND THERE WERE SEVERAL MORE FOREIGN COMPANIES EAGER TO SIGN ADDITIONAL CONTRACTS. VARIOUS OBSERVERS BELIEVE THAT THE GOP NO LONGER FELT A NEED FOR FOREIGN CAPITAL AND/OR TECHNICAL ASSISTANCE FOR EXPLORATION OF NEW CONTRACT AREAS. THE RE-OPENING OF BLOCK 2 IS CONCRETE EVIDENCE THAT THE GOP HAS DROPPED THIS ATTITUDE AND IS NOW ACTIVELY SEEKING FOREIGN DIRECT PRIVATE INVESTMENT (REF B) FOR NEW PETROLEUM DEVELOPMENT.

4. COPY OF SUPREME DECREE 001-78-EM/DGH BEING POUCHED ARA/AND KEMP.  
SHLAUDEMAN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, PRIVATE ENTERPRISE, FOREIGN INVESTMENT, EXPLORATORY DRILLING  
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**Copy:** SINGLE  
**Draft Date:** 14 mar 1978  
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**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Reference:** 78 LIMA 6761, 78 LIMA 2021  
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**Type:** TE  
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**Review Markings:**  
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